

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6241

BILL NUMBER: HB 1402

NOTE PREPARED: Nov 24, 2008

BILL AMENDED:

SUBJECT: Sales Tax on Home Energy.

FIRST AUTHOR: Rep. Stevenson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides a Sales Tax exemption for the sale of power, light, and heat for residential use. It eliminates the Sales Tax exemption for home energy acquired through home energy assistance.

Effective Date: Upon passage; July 1, 2009.

Explanation of State Expenditures: This bill will cause an indeterminable increase in administrative costs of the Department of State Revenue (DOR). The bill will require the DOR to amend forms, develop procedures, and update computer software for use in administering the home energy Sales Tax exemption created in this bill. It is estimated that the DOR could implement these provisions through the use of existing staff and resources.

Explanation of State Revenues: This bill will decrease Sales Tax collections by between an estimated \$341.4 M in FY 2010 and \$394.3 M in FY 2011. The FY 2010 estimate is adjusted for 11 months of collections due to the effective date of the bill. The bill provides a Sales Tax exemption for purchases of power, light, and heat for residential use. The bill also eliminates the current home energy exemption. The current exemption only applies to sales of home heating or cooling energy acquired through the federal Low Income Home Energy Assistance Program (LIHEAP) after June 30, 2006, and before July 1, 2009.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

The impact on the funds receiving Sales Tax distributions is as follows.

	FY 2010 (in millions)	FY 2011 (in millions)
General Fund	(\$338.62)	(\$391.10)
Public Mass Transportation Fund	(\$2.29)	(\$2.64)
Industrial Rail Services Fund	(\$0.10)	(\$0.11)
Commuter Rail Services Fund	(\$0.42)	(\$0.49)
TOTAL	(\$341.43)	(\$394.34)

This estimated revenue loss may be offset by an increase in consumption due to the decrease in the total sales price of these energy purchases. However, it is estimated that there will not be a significant increase in consumption by exempting the sales of energy from the Sales Tax because of conservation concerns other than cost to the consumer.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Energy Information Administration. www.eia.doe.gov.

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